

SL

**BANKENO
MINES
LIMITED**

Annual Report

FOR THE PERIOD ENDED
DECEMBER 31, 1969

BANKENO MINES LIMITED

OFFICERS AND DIRECTORS

THOS. J. DAY, Q.C., <i>President and Director</i>	- - - - -	-	Toronto, Ontario
J. W. McBEAN, <i>Vice-President and Director</i>	- - - - -	-	Swastika, Ontario
E. T. DONALDSON, <i>Director</i>	- - - - -	-	Toronto, Ontario
DR. F. YANDEL, JR., <i>Director</i>	- - - - -	-	Nanuet, N.Y.
E. S. CHARD, <i>Treasurer</i>	- - - - -	-	Toronto, Ontario
K. H. LARKIN, <i>Secretary</i>	- - - - -	-	Toronto, Ontario

TRANSFER AGENT

CROWN TRUST COMPANY
302 Bay Street, Toronto, Ont.

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON
Toronto, Ont.

HEAD OFFICE - - - - - 250 University Avenue, Toronto, Ont.

BANKENO MINES LIMITED

Report of the Directors

To the Shareholders:

Enclosed herewith is Notice of our Annual Meeting, together with financial statements and auditors' report.

All of the Company's properties have been maintained in good standing. The Panarctic program has been expanded from the original \$20,000,000 expenditure to \$50,000,000. Your Company is participating to the full in this expansion and will maintain its 2.258% interest in the Panarctic program. I feel our shareholders should again be reminded of our wide-spread holdings throughout the Arctic Islands. Your Company holds interests with Cominco in permits totalling 6,100,000 acres spread throughout the Arctic Islands, of which 5,700,000 have been farmed out to Panarctic Oils Limited.

The oil fraternity feels confident that substantial oil reserves should be discovered before the completion of this expanded program.

Two wells were drilled on your Company's properties in the Marie Bay area on Melville Island, neither of which encountered oil or gas occurrences.

With reference to our lead-zinc deposit, Cominco have advised us that they are going to carry on exploration and surface work this year. The recent voyages of the Manhattan, which on both occasions passed close to Cornwallis Island, have greatly reduced one of the obstacles of bringing the property into production.

It is with great regret that I report the death of one of your directors, Dr. G. H. Charlewood. He had been connected with the Company since 1960. He was a brilliant geologist and a great gentleman. His death is a great personal loss to all of his fellow directors, and the Company will miss his wise advice and counsel.

It is with sorrow that I comment also on the death of Dr. J. C. Sproule. Dr. Sproule was associated with the Company since it first became interested in the Arctic Islands. Most of our property was acquired under his recommendation. All of our geological work was carried out under his direction, as was the discovery of the lead-zinc deposit. His death is a loss not only to our Company, but to the whole petroleum industry, and to his country that he loved so much.

Dr. Florian Yandel has advised the Board that due to his professional commitments, he is not standing for re-election as a director of the Company. We wish to formally thank Dr. Yandel for the assistance as a director he has given to the Company.

T. J. DAY,
President.

Toronto, Ontario,
June 1, 1970.

BANKENO MINES LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet - December 31, 1969

(with comparative figures as at December 31, 1968)

ASSETS

CURRENT ASSETS	1969	1968
Cash and short term deposits	\$ 90,862	\$ 114,558
Marketable securities, at cost less amounts written off (market value, 1969 — \$541; 1968 — \$2,435)	541	1,082
Guaranteed investment certificate, at cost and accrued interest		60,652
91,403	176,292	
Investment in Panarctic Oils Limited, at cost (note 1)	711,824	485,379
Oil and gas permits, at cost (notes 2 and 3)	30,825	30,825
Mining properties (notes 2 and 4)	25,488	25,488
Deferred exploration and development expenditures	235,437	211,154
	<u>\$1,094,977</u>	<u>\$ 929,138</u>

LIABILITIES

CURRENT LIABILITIES	1969	1968
Accounts payable and accrued liabilities	\$ 9,466	\$ 7,632
Payable to Panarctic Oils Limited due within one year (note 1)	219,136	264,650
	<u>228,602</u>	<u>272,282</u>
Payable to Panarctic Oils Limited		264,650
Less portion included in current liabilities		264,650
		—

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)	1969	1968
Authorized — 4,000,000 shares, par value \$1 each		
Issued — 3,715,004 shares (3,440,004 shares in 1968)	3,715,004	3,440,004
Deduct discount thereon	1,600,211	1,570,211
	2,114,793	1,869,793
Deficit	1,248,418	1,212,937
	866,375	656,856
	<u>\$1,094,977</u>	<u>\$ 929,138</u>

Approved by the Board:

T. J. DAY, Director.

J. W. McBEAN, Director.

AUDITORS' REPORT

To the Shareholders of
Bankeno Mines Limited

We have examined the balance sheet of Bankeno Mines Limited as at December 31, 1969 and the statements of deferred exploration and development expenditures, deficit, administrative expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 16, 1970.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

BANKENO MINES LIMITED

Statement of Deferred Exploration and Development Expenditures

Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Drilling participation	\$ 22,165	
Engineering fees	4,800	\$ 4,800
Other	68	75
	<hr/> 27,033	<hr/> 4,875
Deduct proceeds from sale of equipment	2,750	
Expenditures for the year	<hr/> 24,283	<hr/> 4,875
Balance deferred at beginning of year	211,154	206,279
Balance deferred at end of year	<hr/> \$ 235,437	<hr/> \$ 211,154

Statement of Deficit

Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Deficit at beginning of year	\$1,212,937	\$1,191,601
Add		
Administrative expenses	34,940	21,336
Adjustment of marketable securities to market value	541	
Deficit at end of year	<hr/> \$1,248,418	<hr/> \$1,212,937

BANKENO MINES LIMITED

Statement of Administrative Expenses

Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Executive salary (being total remuneration of directors and senior officers)	\$ 19,749	\$ 5,081
Government fees, licenses and taxes	61	386
Interest and bank charges	94	34
Legal and audit	6,885	8,475
Listing fees	200	400
Postage, telephone and telegraph	805	389
Printing and stationery	372	1,021
Reports to shareholders	2,627	1,477
Share issue expense	2,459	2,070
Transfer agent's fees and expenses	8,708	6,026
Travelling	4,104	1,888
Sundry	248	24
	46,312	27,271
Less interest earned	11,372	5,935
Administrative expenses for year transferred to deficit	<u>\$ 34,940</u>	<u>\$ 21,336</u>

Statement of Source and Application of Funds

Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
SOURCE OF FUNDS		
Issue of common shares	<u>\$ 245,000</u>	<u>\$ 220,000</u>
APPLICATION OF FUNDS		
Decrease in non-current portion of payable re purchase of investment in Panarctic Oils Limited		150,959
Exploration and development expenditures	24,283	4,875
Administrative expenses	34,940	21,336
Additional investment in Panarctic Oils Limited	226,445	
Adjustment of marketable securities to market value	541	
	286,209	177,170
Increase (decrease) in working capital position	(41,209)	42,830
Working capital deficiency at beginning of year	95,990	138,820
Working capital deficiency at end of year	<u>\$ 137,199</u>	<u>\$ 95,990</u>

BANKENO MINES LIMITED

Notes to Financial Statements

December 31, 1969

1. INVESTMENT IN PANARCTIC OILS LIMITED

	1969	1968
67,763 preferred shares, par value \$10 each (1968 — 45,175 preferred shares)	\$ 677,630	\$ 451,750
16,941 common shares, no par value (1968 — 11,294 common shares)	1,694	1,129
	679,324	452,879
Capital stock issued to Upper Canada Mines Limited for guarantee of payments on initial investment		
50,000 shares of the company at stated value	32,500	32,500
	\$ 711,824	\$ 485,379

By agreements dated November 25, 1967 and November 17, 1969, the company has purchased the above shares in Panarctic Oils Limited, a company formed to explore the oil and gas potential of the Arctic Islands in the Northwest Territories, to be financed jointly by private enterprise and the Government of Canada. Under the terms of the latter agreement, participation of the Crown is optional, and upon the decision not to invest, its share would be assumed by private enterprise. The company would then be required to purchase an additional 18,481 preference and 4,620 common shares, for an aggregate consideration of \$185,272.

The consideration of \$226,445 with respect to the 1969 purchase, less cash calls paid during the year, is payable January 15, 1970. The company has arranged to borrow the necessary funds from Upper Canada Mines Limited, at 9% interest per annum.

2. AGREEMENTS WITH COMINCO LTD.

Exploratory permits — Arctic Islands

By agreements dated May 17, 1966, between Bankeno Mines Limited and Cominco Ltd., Cominco acquired a 50% undivided interest in Bankeno's interest in Oil and Gas Exploratory Permits located in the Arctic Islands for the sum of \$500,000. The majority of these permits have been farmed out to Panarctic Oils Limited under agreements whereby that company, of which Bankeno is a shareholder (see note 1), is to expend upwards of \$20,000,000 on a petroleum and natural gas exploration and development program in and about the Arctic Islands. Under the terms of these agreements Panarctic may earn up to an 80% interest in the permits.

Mining Properties

By agreement dated February 28, 1965, as amended, Cominco Ltd., was granted the right to explore and the exclusive possession of, the company's 62 mining claims on Little Cornwallis Island.

At last report to the company the properties under the agreement have increased to 169 claims together with permits comprising some 61,000 acres.

To date Cominco has expended in excess of \$400,000 on exploration and may maintain its interest by expending at least \$50,000 per annum.

The agreement provides for a new company to be incorporated to mine the property at the option of Cominco or Bankeno. The rights vary depending on which party gives notice of its intention to bring the property to production but essentially provide for Bankeno to retain at least a 25% carried interest in the property.

3. AGREEMENT WITH J. C. SPROULE AND ASSOCIATES LTD.

By letter agreement of September 17, 1965, between J. C. Sproule and Associates Ltd. and the company, in consideration of geological and exploration expenditures to the amount of \$160,000 which were used in the acquisition of other permits in the Arctic Islands, the company granted J. C. Sproule and Associates Ltd. a 5% interest in the company's Arctic Islands holdings and in any consideration received for these holdings. By subsequent assignment this interest has been transferred to Upper Canada Mines Limited.

4. MINING PROPERTIES

62 Claims on Little Cornwallis Island, acquired for 50,000 shares of the company's capital stock valued at \$15,000 and staking cost of \$10,487	\$ 25,487
18 Leases in Mayo Mining Division, Yukon Territory, at nominal value	1
	<u>\$ 25,488</u>

5. CAPITAL STOCK

	No. of shares and par value	Discount	Net
Balance December 31, 1967	\$3,200,004	\$1,550,211	\$1,649,793
Issued during 1968 for cash	240,000	20,000	220,000
Balance December 31, 1968	3,440,004	1,570,211	1,869,793
Issued during 1969 to Upper Canada Mines Limited for cash:			
Pursuant to agreement dated June 28, 1967	150,000	30,000	120,000
Exercise of stock option	125,000		125,000
	<u>\$3,715,004</u>	<u>\$1,600,211</u>	<u>\$2,114,793</u>

6. INCOME TAXES

Under the provision of the Income Tax Act exploration and development expenditures are deductible in arriving at taxable income and any expenditures not deducted in one year may be carried forward to be applied against future income. The company has approximately \$1,200,000 of expenditures so available.